

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

South Haven Regional Airport Authority
Allegan County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

Members of the Board
South Haven Regional Airport Authority

We have audited the accompanying financial statements of the governmental activities and the major fund of the South Haven Regional Airport Authority as of and for the year ended June 30, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the South Haven Regional Airport Authority as of June 30, 2004, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 7, the South Haven Regional Airport Authority has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information, on page 9, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The South Haven Regional Airport Authority has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Siegfried Crandall P.C.

February 8, 2005

BASIC FINANCIAL STATEMENTS

South Haven Regional Airport Authority

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2004

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
ASSETS			
Current assets:			
Cash	\$ 134,323	\$ -	\$ 134,323
Accounts receivable (net)	48,921	-	48,921
Inventory	10,800	-	10,800
Prepaid expense	9,573	-	9,573
Non-current assets:			
Capital assets (net)	-	3,167,226	3,167,226
Total assets	<u>\$ 203,617</u>	<u>3,167,226</u>	<u>3,370,843</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 2,567	-	2,567
FUND BALANCE/NET ASSETS			
Fund balance - unreserved, undesignated	<u>201,050</u>	<u>(201,050)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 203,617</u>		
Net assets:			
Investment in capital assets		3,167,226	3,167,226
Unrestricted		<u>201,050</u>	<u>201,050</u>
Total net assets		<u>\$ 3,368,276</u>	<u>\$ 3,368,276</u>
Total fund balance			\$ 201,050
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets are not financial resources and are not reported in the fund.			<u>3,167,226</u>
Total net assets			<u>\$ 3,368,276</u>

See notes to financial statements

South Haven Regional Airport Authority

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

Year ended June 30, 2004

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
EXPENDITURES/EXPENSES			
Public works	\$ 187,388	\$ 75,022	\$ 262,410
Capital outlay	187,952	(187,952)	-
Debt service:			
Principal	9,926	(9,926)	-
Interest	533	-	533
	<u>385,799</u>	<u>(122,856)</u>	<u>262,943</u>
Total expenditures/expenses			
	<u>385,799</u>	<u>(122,856)</u>	<u>262,943</u>
CAPITAL GRANTS	<u>83,333</u>	<u>-</u>	<u>83,333</u>
PROGRAM REVENUES			
Local unit contributions	186,075	-	186,075
Sales	81,698	-	81,698
Rentals	65,578	-	65,578
Other	6,444	-	6,444
	<u>339,795</u>	<u>-</u>	<u>339,795</u>
Total program revenues			
	<u>339,795</u>	<u>-</u>	<u>339,795</u>
EXCESS OF REVENUES OVER EXPENDITURES/ CHANGE IN NET ASSETS	37,329	122,856	160,185
FUND BALANCE/NET ASSETS - BEGINNING OF YEAR	<u>163,721</u>	<u>3,044,370</u>	<u>3,208,091</u>
FUND BALANCE/NET ASSETS - END OF YEAR	<u>\$ 201,050</u>	<u>\$ 3,167,226</u>	<u>\$ 3,368,276</u>
Net change in fund balance			\$ 37,329
<i>Amounts reported in the statement of activities are different because:</i>			
Capital outlays are reported as expenditures in the statement of revenues, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the amount by which capital outlays (\$187,952) exceeded depreciation (\$75,022).			
			112,930
Repayment of bond principal is an expenditure in the statement of revenues, expenditures, and changes in fund balance; the repayment reduces long-term liabilities in the statement of net assets.			
			<u>9,926</u>
Change in net assets			<u>\$ 160,185</u>

See notes to financial statements

South Haven Regional Airport Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the South Haven Regional Airport Authority (the Authority) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority established by Casco Township, City of Bangor, City of South Haven, Covert Township, Geneva Township, and South Haven Township. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

The City of South Haven has transferred ownership of the South Haven Municipal Airport and all airport facilities owned by the City to the Authority. In the event the Authority ceases to exist, or if the land and other assets are no longer used in airport operations, title to all properties shall revert to the City of South Haven.

b) Basis of accounting:

The statement of net assets and the statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The Operating Fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available if collected in the current period or within 60 days of the end of the current fiscal year end. Expenditures are generally recognized when the related liability is incurred.

c) Assets and liabilities:

i) Bank deposits - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

ii) Capital assets - Capital assets, which include land, runways, buildings, equipment, and vehicles, are defined by the Authority as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

South Haven Regional Airport Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Assets and liabilities (continued):*

ii) *Capital assets (continued) -*

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Airport facility	40 - 50 years
Runways and improvements	40 - 50 years
Equipment	10 - 20 years
Vehicles	5 - 10 years

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - The budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating	Capital outlay	Capital outlay	\$ 86,605	\$187,952	\$101,347

NOTE 3 - CASH:

Deposits are carried at cost and are maintained at various financial institutions in the name of the Authority. Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Authority's deposits are in accordance with statutory authority. At June 30, 2004, the Authority has deposits with a carrying amount of \$134,323 and a bank balance of \$223,866. Of the bank balance, \$100,000 is covered by federal depository insurance and \$123,866 is uninsured and uncollateralized.

South Haven Regional Airport Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - CAPITAL ASSETS:

Capital asset activity of the Authority for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets not being depreciated - land	\$ <u>83,880</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>83,880</u>
Capital assets being depreciated:				
Buildings	777,251	9,616	-	786,867
Runways and improvements	2,753,277	85,744	-	2,839,021
Equipment	61,632	92,592	-	154,224
Vehicles	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>35,000</u>
<i>Subtotal</i>	<u>3,627,160</u>	<u>187,952</u>	<u>-</u>	<u>3,815,112</u>
Less accumulated depreciation for:				
Buildings	(31,234)	(10,341)	-	(41,575)
Runways and improvements	(585,250)	(55,301)	-	(640,551)
Equipment	(31,335)	(6,230)	-	(37,565)
Vehicles	<u>(8,925)</u>	<u>(3,150)</u>	<u>-</u>	<u>(12,075)</u>
<i>Subtotal</i>	<u>(656,744)</u>	<u>75,022</u>	<u>-</u>	<u>(731,766)</u>
Net capital assets being depreciated	\$ <u>2,970,416</u>	\$ <u>112,930</u>	\$ <u>-</u>	\$ <u>3,083,346</u>
Total capital assets - net of depreciation	\$ <u>3,054,296</u>	\$ <u>112,930</u>	\$ <u>-</u>	\$ <u>3,167,226</u>

NOTE 5 - LONG-TERM LIABILITIES:

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Note payable	\$9,926	\$ -	\$(9,926)	\$ -

NOTE 6 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of, assets, errors and omissions, injuries to employees, and natural disasters. The Authority carries commercial insurance for the above risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal periods.

South Haven Regional Airport Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - PRIOR PERIOD ADJUSTMENT AND CHANGE IN ACCOUNTING PRINCIPLES:

The Authority has restated its beginning net assets to make a correction to record intergovernmental grant revenue receivable at June 30, 2003, in the amount of \$81,470.

Additionally, effective October 1, 2003, the Authority implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations.

To correct the understatement of net assets, and to reflect the cumulative effect of the accounting change in the governmental fund related to the implementation of GASB Statement No. 34, the following adjustments to beginning net assets have been made.

Net assets, as previously reported	\$ 82,251
Correction of error - understatement of net assets	81,470
Capitalization of capital assets, net of accumulated depreciation, not previously reported	3,054,296
Long-term liability that was previously reported in the general long-term debt account group	<u>(9,926)</u>
Net assets, as restated	<u>\$3,208,091</u>

REQUIRED SUPPLEMENTARY INFORMATION

South Haven Regional Airport Authority
BUDGETARY COMPARISON SCHEDULE - Operating Fund
Year ended June 30, 2004

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
State grants	\$ -	\$ -	\$ 83,333	\$ 83,333
Local unit contributions	186,670	186,670	186,075	(595)
Sales	89,480	89,480	81,698	(7,782)
Interest income	955	955	733	(222)
Rentals	63,797	63,797	65,578	1,781
Other	-	-	5,711	5,711
	<u>340,902</u>	<u>340,902</u>	<u>423,128</u>	<u>82,226</u>
EXPENDITURES				
Public works:				
Cost of sales	73,860	73,860	60,184	13,676
Payroll and fringe benefits	55,514	55,514	51,312	4,202
Operating supplies and expenses	13,481	13,481	14,064	(583)
Repairs and maintenance	15,640	15,640	19,293	(3,653)
Professional services	23,300	23,300	20,967	2,333
Utilities	10,585	10,585	10,023	562
Insurance	11,793	11,793	11,545	248
	<u>204,173</u>	<u>204,173</u>	<u>187,388</u>	<u>16,785</u>
Capital outlay	<u>86,605</u>	<u>86,605</u>	<u>187,952</u>	<u>(101,347)</u>
Debt service:				
Principal	<u>9,493</u>	<u>9,493</u>	<u>9,926</u>	<u>(433)</u>
Interest	<u>1,019</u>	<u>1,019</u>	<u>533</u>	<u>486</u>
Total expenditures	<u>301,290</u>	<u>301,290</u>	<u>385,799</u>	<u>(84,509)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>39,612</u>	<u>39,612</u>	<u>37,329</u>	<u>(2,283)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>163,721</u>	<u>163,721</u>	<u>163,721</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 203,333</u>	<u>\$ 203,333</u>	<u>\$ 201,050</u>	<u>\$ (2,283)</u>